

Appl. No. 10/636,125
Attny. Docket No. S-0816

A. *The Rejection is based upon a mis-statement of the law, since there is no "technological arts" requirement under 35 U.S.C. § 101.*

Without any citation to supporting legal authority, the Office Action asserts that the patenting of subject matter such as that presently claimed would "fail to promote the 'progress of science and the useful arts.'" See Office Action, pg. 2. This assertion is supported merely by the additional, unsupported assertion that the claimed invention must fall within the "technological" arts in order to fall within the scope of a constitutionally acceptable interpretation of 35 U.S.C. § 101.

Neither the United States Constitution nor 35 U.S.C. § 101 mention a "technological" arts requirement. Specifically, Article 1, Section 8, Clause 8 of the United States Constitution states:

Congress shall have the Power... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

(Emphasis added.)

Furthermore, Section 101 of title 35, United States Code, reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

(Emphasis added.)

Nowhere is the term "technological" mentioned in the statute or the Constitution. The term "technological" is susceptible to many different meanings, depending upon context. To some, for example, a plant is not technological subject matter, yet plants are patentable under the Patent Act. To some, as further example, ornamental designs are not technical, yet ornamental product designs may be patented under the Patent Act. It is true that, at one time, extra-statutorial case law appeared to interpret section 101 as excluding certain subjects from its purview. The Court of Customs, Patents and Appeals (CCPA) at one time suggested, in *dicta*, an extra-statutorial requirement that a patent fall within "technological" arts. *In re Musgrave*, 431 F.2d 882, 167 U.S.P.Q. 280 (C.C.P.A. 1970) (methods establishing weathering corrections in the form of individual static time-corrections for the signals from seismic detecting stations spaced apart along a traverse held patentable subject matter). However, as one author has noted, that CCPA suggestion of such a "technological" arts requirement has never been adopted by the U.S. Supreme Court or the Federal Circuit when presented with an opportunity to do so:

Appl. No. 10/636,125
Attny. Docket No. S-0816

The technological arts standard was refined in *In re Benson*, where the CCPA held that no matter what their use, computers were within the technological arts standard and thus were statutory subject matter. The standard, however, was not destined to live long and prosper. The Supreme Court did not endorse the technological arts standard when it reversed *In re Benson* using a preemption theory to determine whether a computer program was statutory subject matter.

The doctrine appeared to have been resurrected in *In re Johnston*, where the CCPA stated that "with regard to the rejection under Section 101, we cannot agree with the board that the apparatus of the appealed claims is not within the 'technological arts.' Record-keeping *machine* systems are clearly within the 'technological arts.'" However, the technological arts doctrine has essentially remained dormant or inactive since the inception of the Federal Circuit Court of Appeals in 1982. Only one member of the Federal Circuit has attempted to resurrect this standard, without success.

Donner, Irah H., *Patent Prosecution*, section V(B)(5), pgs. 514-515 (BNA 2004) (footnotes omitted).

The case to which Mr. Donner refers in the last sentence quoted above is the dissenting opinion rendered by Judge Newman in *In re Schrader*, 22 F.3d 290, 298, 30 U.S.P.Q.2d 1455 (Fed. Cir. 1994) (method of competitively bidding on plurality of related items, such as contiguous tracts of land, held not patentable subject matter on grounds that mathematical algorithm was implicit in claims, and grouping and regrouping of bids did not constitute physical transformation of data representative of or constituting physical activity or objects) (J. Newman, dissenting). More recent judicial precedence by the Federal Circuit has distanced itself from prior cases, including *In re Schrader*, in order to shed additional light on that Court's contemporary interpretation of section 101. In a case involving the question of the scope of the so-called mathematical algorithm exception to patentability, *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352, 1358 (Fed. Cir. 1999), the Federal Circuit wrote:

The notion of 'physical transformation' can be misunderstood. In the first place, it is not an invariable requirement, but merely one example of how a mathematical algorithm may bring about a useful application.

(Emphasis added.)

The court further stated that

after *Diehr* and *Alappat*, the mere fact that a claimed invention involves inputting numbers, calculating numbers, outputting numbers, and storing numbers, in and of itself, would not render it nonstatutory subject matter, unless, of course, its operation does not produce a 'useful, concrete and tangible result.'

Appl. No. 10/636,125
Attty. Docket No. S-0816

Id. at 1359, quoting *State Street Bank*, 149 F.3d at 1374. The clear implication is, of course, that upon bringing about a useful application, the claimed subject matter is statutory under section 101. In other words, the Federal Circuit's ultimate focus under section 101 is not on whether there is any "physical" transformation brought about by the claimed subject matter, but on whether the claimed subject matter viewed as a whole "may bring about a useful application." *Id.* This is further evidenced by the Federal Circuit's additional statements in *AT&T* regarding the prior Federal Circuit case of *In re Schrader*:

Because we focus on the inquiry deemed "the ultimate issue" by *Alappat*, rather than on the physical limitations inquiry of the *Freeman-Walter-Abele* test, we find the cases cited by Excel in support of its position to be inapposite. For example, in *In re Grams*, the court applied the *Freeman-Walter-Abele* test and concluded that the only physical step in the claimed process involved data-gathering for the algorithm; thus, the claims were held to be directed to unpatentable subject matter. See 888 F.2d 835, 839, 12 USPQ2d 1824, 1829 (Fed.Cir.1989). In contrast, our inquiry here focuses on whether the mathematical algorithm is applied in a practical manner to produce a useful result. *In re Grams* is unhelpful because the panel in that case did not ascertain if the end result of the claimed process was useful, concrete, and tangible.

Similarly, the court in *In re Schrader* relied upon the *Freeman-Walter-Abele* test for its analysis of the method claim involved. The court found neither a physical transformation nor any physical step in the claimed process aside from the entering of data into a record. See 22 F.3d at 294, 30 USPQ2d at 1458. The *Schrader* court likened the data-recording step to that of data-gathering and held that the claim was properly rejected as failing to define patentable subject matter. See *id.* at 294, 296, 30 USPQ2d at 1458-59. The focus of the court in *Schrader* was not on whether the mathematical algorithm was applied in a practical manner since it ended its inquiry before looking to see if a useful, concrete, tangible result ensued. Thus, in light of our recent understanding of the issue, the *Schrader* court's analysis is as unhelpful as that of *In re Grams*.

Thus, the Federal Circuit authority clearly indicates a disposition away from any extra-statutorial requirement that the *constitutional phrase* "useful arts" be reformed to read "technological arts" or "physical arts" and then read into the statutory phrase "useful process" under 35 U.S.C. § 101. Rather, the ultimate issue, as noted in *AT&T*, is whether "the end result of the claimed process [is] useful, concrete, and tangible." *Id.* Since the ultimate issue in this case has been conceded by the Examiner, there is no proper ground for a rejection under 35 U.S.C. § 101. On this ground alone, the rejection fails to set forth a *prima facie* case of non-statutory subject matter, and the rejection should be reconsidered and withdrawn.

Appl. No. 10/636,125
Army. Docket No. S-0816

B. Even assuming, for the sake of argument, that the law requires subject matter of a patent claim to fall within a "technological" art, the rejection fails to establish that the present subject matter is not within a "technological" art.

Precisely because it produces a concrete, tangible and useful result, the presently claimed method recites more than an abstract idea. The claims recite a method of investing pension plan assets in one or more in-force insurance contracts (Claim 1), pension plans comprised of an interest in one or more in-force insurance contracts (Claim 9), and an investment product comprising a transferrable interest in one or more in-force insurance contracts (Claim 17). Pension plans, pension plan assets, in-force insurance contracts, and (ownership) interests in in-force insurance contracts all have monetary value, and all involve highly "technical" subject matter. There is no support cited in the Office Action for the assertion that only the physical sciences can produce technological art, because none exists. Unlike abstract ideas, more than the exercise of the mind is at least inherently necessary to create a pension plan, pension plan assets, in-force insurance contracts, interests in in-force insurance contracts, and to exchange at least a portion of pension plan assets for an interest one or more in-force insurance contracts. Transactions between entities (such as individual persons and/or business entities) are needed to create pension plans and insurance contracts, as well as to exchange pension plan assets and interests in in-force insurance contracts. The presently claimed invention is directed to a "useful art," in that it provides for, amongst other things, a method of maintaining and increasing the value of assets used in investment vehicles such as, e.g., pension and employee benefit plans.

In light of the foregoing, it is clear that the subject matter of Claims 1, 9, and 17, and the claims depending therefrom, claim subject matter eligible for patenting under the appropriately interpreted scope of 35 U.S.C. § 101 and the United States Constitution, since they are directed to subject matter pertaining to "useful arts" which produce a useful, concrete, and tangible result, as the Examiner has admitted. Accordingly, this rejection fails to present a *prima facie* case in support of a rejection under 35 U.S.C. § 101, and it should be reconsidered and withdrawn.

II. Rejection under 35 U.S.C. § 103

The claims also stand rejected under 35 U.S.C. § 103 as allegedly obvious over Halley et al. (U.S. 4,969,094) in view of Banks (U.S. 2003/0018498). This rejection also is respectfully traversed.

Appl. No. 10/636,125
Atty. Docket No. S-0816

The Examiner has the burden of pointing to something in the reference(s) that provides a motivation or suggestion to combine them. The Federal Circuit has stated that

[t]he mere fact that the prior art may be modified in the manner suggested by the Examiner does not make the modification obvious unless the prior art suggested the desirability of the modification.

In re Fritch, 972 F.2d 1260, 1266, 23 U.S.P.Q.2d 1780, 1783-84 (Fed. Cir. 1992) (quoting *In re Gordon*, 733 F.2d 900, 902, 221 U.S.P.Q. 1125 (Fed. Cir. 1984)). No such motivation or suggestion has been provided or even subtly suggested by the Examiner in support of this rejection. The Banks patent addresses employer-sponsored *survivor* benefit plans (where the survivor is a survivor of the employee), while Halley et al. teaches a benefit plan for *employees*. Nothing in either of the references provides a motivation or suggestion for one of ordinary skill in the art to combine their teachings in order to arrive at the claimed invention, and the Examiner has not identified any such motivation or suggestion. For these reasons, the Office Action fails to establish a *prima facie* case for obviousness under section 103. Thus, the rejection should be reconsidered and withdrawn.

Moreover, even if one assumes, *arguendo*, that the combination is somehow proper, their combined teachings still fail to disclose or teach the presently claimed invention. The difference between Halley et al. and Claim 1 noted by the Examiner, that Halley et al. does not teach that the respective total values of (i) the pension plan assets, inclusive of the interest so acquired, determined immediately after the acquisition, and (ii) the pension plan assets, exclusive of the interest so acquired and inclusive of the at least a portion of one or more assets of the pension plan invested, are determined at the same point in time and in accordance with the same actuarially sound valuation method, is correct. Further, in Halley et al., the employee *is* both the insured and the pension plan beneficiary (but the employee is not the beneficiary of the *insurance policy*). In contrast, in all of the present claims to the invention, the insured and the pension plan beneficiary are *not the same person*. With respect to Banks, paragraph 0024 on Page 3 does not say that the total values of (i) and (ii) are determined at the same point in time and in accordance with the same actuarially sound valuation method. Rather, it says that the two things that occur "at the same time" are designing an optimal plan design to meet the employer's specific objectives and ensuring that the plan is funded as intended. In fact, nowhere does Banks teach that the total values of (i) and (ii) are determined at the same point in time and in accordance with the same actuarially sound valuation method, and Banks thus cannot make up for the deficiencies in the disclosure of Halley et al. These facts make points (B) to (F) discussed in the Office Action moot. Regarding Claims 17-21, Banks does not teach or suggest that the interest in insurance policies be purchased from a pool of current, in-force

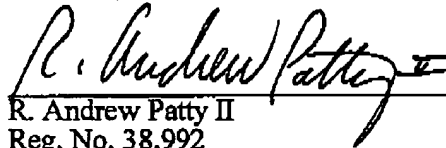
Appl. No. 10/636,125
Attny. Docket No. S-0816

insurance contracts. Paragraphs 0042-0044 of Banks disclose a trust fund of assets that can be used to purchase investments, such as insurance contracts. There is no disclosure of a pool of insurance contracts. Point (H) discussed in the Office Action is also considered moot in light of these facts. Therefore, in view of all of the foregoing, Banks and Halley et al., even if properly combined (which is disputed), when read together fail to teach or disclose the present invention. For this additional reason, the rejection fails to establish a *prima facie* case of obviousness.

In light of the foregoing remarks, the case is believed to be in condition for allowance. Prompt notification to this effect would be sincerely appreciated.

If any matters remain that require further consideration, the Examiner is requested to telephone the undersigned at the number given below so that such matters may be discussed, and if possible, promptly resolved.

Respectfully Submitted,



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CERTIFICATE OF TRANSMISSION

I hereby certify that this document, and any attachments referenced herein and attached hereto, are being transmitted on the date indicated below to the U. S. Patent and Trademark Office by facsimile number: 1-703-872-9306, in accordance with 37 C.F.R. § 1.6(d).

May 27, 2005
Date


Gina Merritt